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## FISCAL IMPACT REPORT

SPONSOR: Martinez DATE TYPED: 02/22/03 HB 116/aHVEC

SHORT TITLE: PERA Hazardous Duty Members SB \_\_\_\_\_

ANALYST: Gilbert

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$4,492.8	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Employees Retirement Association (PERA)

New Mexico Corrections Department (NMCD)

### SUMMARY

#### Synopsis of HVEC Amendment

The House Voters and Elections Committee amendment to House Bill 116 adds back the language originally struck from page 3, lines 16 and 17. However, for the language to maintain its original meaning, the word “an” on line 17 should be struck:

- (1) "hazardous duty member" means a state policeman who is a member and who is a juvenile or ~~an~~ adult correctional officer employed by a corrections facility of the corrections department or its successor agency;

On page 6, line 25, language is added to clarify that state hazardous duty member coverage plan 3 is applicable to members who are adult correctional officers.

#### Synopsis of Original Bill

House Bill 116 creates a new Public Employees Retirement Association (PERA) state hazardous duty member coverage plan 3 for adult correctional officers.

Significant Issues

If enacted and approved by election of the affected membership, HB 116 will allow adult correctional officers to retire at any age with 20 or more years of service credit. They will receive a 3.5 percent pension factor for every year of service credit, up to a maximum of 80% of their final average salaries. Under this new plan, correctional officers will continue to pay 4.78 % of their salary in contributions. The employer contribution, however, will rise from 25.72% to 38.2 % of salary, or an increase of 12.48%.

Currently, under hazardous duty plan 2, correctional officers are eligible to retire at any age with 25 or more years of service credit. They receive a 3 percent pension factor for every year of service credit and are capped at 100% of their final average salary. Correctional officers currently pay 4.78% and their employer pays 25.72% of their salaries in contributions.

**FISCAL IMPLICATIONS**

The Corrections Department FY04 personal services budget request for adult correctional officers is approximately \$36.0 million. The increased employer contributions necessitated by this new plan will require a recurring general fund appropriation of \$4.5 million. There is no appropriation included in this bill.

**ADMINISTRATIVE IMPLICATIONS**

If this bill is adopted, PERA must implement the new plan, amend its regulations and update member informational publications. PERA believes that it can absorb this impact.

**OTHER SUBSTANTIVE ISSUES**

By deleting “juvenile” correctional officers from the definition of “hazardous duty member,” juvenile correctional officers who are currently members of Hazardous Duty Plan 2 will no longer be covered under that plan. Rather, they will default to state general plan 3, which provides for a 3 percent pension factor and a cap at 80 % of final average salary. According to PERA, this is a reduction of benefits to existing juvenile correctional officers and may violate NM Const., Art. XX, Section 22 (a member of a retirement plan shall acquire a vested property right upon meeting the minimum service requirements of that plan).

In January 2000, PERA’s actuaries determined that a 12.3% increase in contributions, in addition to what was currently included in Hazardous Duty Plan 2, was required to adequately fund the enhanced benefits. However, this valuation was based on active member data for PERA’s June 30, 1999 annual valuation. Since a current actuarial valuation has not been performed, PERA believes the 12.3 % contribution increase may not be sufficient to fully fund this plan.

RLG/nw